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MICHAEL RODAK, JR.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1971

No. 71-1192

DONALD GOLDSTEIN, RUTH KOVEN, and DONALD KOVEN,

Petitioners,

v.

STATE OF CALIFORNIA,

Respondent.

ON WRIT OF CERTIORARI TO THE APPELLATE DEPARTMENT, SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES

BRIEF OF THE PEOPLE OF THE STATE OF CALIFORNIA AMICUS CURIAE IN SUPPORT OF THE RESPONDENT

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BRIEF OF THE PEOPLE OF THE STATE OF CALIFORNIA AMICUS CURIAE IN SUPPORT OF THE RESPONDENT

Interests of Amicus Curiae

The question presented in this case is the validity of California Penal Code section 653h making it a misdemeanor to "pirate"[1] sound recordings, as applied to recordings fixed prior to February 15, 1972, the effective date of the Sound Recording Act of 1971, Public Law 92-140, 85 Statutes 391 (1971)[2] extending copyright protection to sound recordings.

[1] The term "piracy" has come to mean the unauthorized reproduction and sale of phonograph records and tape cartridges, the conduct for which petitioners were convicted. See e.g., Halpern, *The Sound Recording Act of 1971:* An End to Piracy on the High C's, 40 George Washington Law Review, 964.

[2] Referred to hereinafter as the Sound Recording Act.

California is vitally interested in this case since its outcome will have a significant impact upon the legitimate recording industry of California and the continued availability of high quality sound recordings by artists and manufacturers of outstanding talent and ability. A result which will recognize the authority of California to prohibit through legislation the activities of tape pirates is necessary if the interests of the people of the State of California are to be protected. The activities of these pirates, while having achieved nation-wide and international notoriety, are of particular significance to California because of the location of the legitimate recording industry in this state.

Summary of Argument

Section 653h is clearly a proper exercise by California of its general police power to regulate the conduct of business within the state so as to prohibit the misappropriation by pirates of the property of legitimate recording artists and producers. The legitimate recording industry provides an essential contribution to society in the form of artistic and creative work and the encouragement of this industry is a desirable, proper and legitimate state function. The activities of pirates seriously jeopardize the welfare of the people of the State of California, as determined by the California Legislature, and California properly enacted Penal Code section 653h to prohibit pirates from engaging in this unlawful, unfair and injurious activity.

Sound recordings fixed prior to February 15, 1972, are not within the provisions of the federal copyright law and therefore the preemption doctrine is not applicable. The refusal of Congress to include sound recordings within the provisions of prior legislation [3] was deliberate and motivated by information that state laws afforded adequate protection.

The *Sears* [4] and *Compco* [5] cases are not controlling. The subject matter of those suits was clearly within the ambit of the Federal Patent Law although the "pole-lamp" and lighting fixture involved were found to be not patentable because they did not meet the specific requirements of that law. By contrast, here the very subject matter of the controversy—sound recordings fixed prior to February 15, 1972—is not within the ambit of the federal copyright laws either statutory or constitutional and hence is within the power of the states to regulate.

Argument

California Penal Code Section 653h Is a Valid Exercise of This State's Power to Legislate Against the Injurious and Unfair Activities of Tape Pirates

A. California Has a Compelling Interest in the Subject Matter of Penal Code Section 653h.

Petitioners have failed completely to discuss the interests of the State of California, expressed in Penal

[3] Prior to the Sound Recording Act.

[4] *Sears, Roebuck & Co.* v. *Stiffel Co.* (1964) 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed. 2d 661.

[5] *Compco Corporation* v. *Day-Brite Lighting, Inc.* (1964) 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed. 2d 669.

Code section 653h, in prohibiting their acts of piracy by legislation. Perhaps this omission is because of the obvious power of the state in this regard. Obvious or not, however, the state's interests in prohibiting this conduct that is both larcenous and constitutes unfair competition should, it is submitted, weigh heavily in this Court's deliberations.

The serious impact of this conduct on the legitimate recording industry and upon the general welfare is reflected in the House Report [6] on the Sound Recording Act:

> "While it is difficult to establish the exact volume or dollar value of current piracy activity, it is estimated by reliable trade sources that the annual volume of such piracy is now in excess of $100 million. It has been estimated that legitimate prerecorded tape sales have an annual value of approximately $300 million. The pirating of records and tapes is not only depriving legitimate manufacturers of substantial income, but of equal importance is denying performing artists and musicians of royalties and contributions to pension and welfare funds and Federal and State governments are losing tax revenues."

The history of popular tape recordings has been brief and one of phenomenal growth. From less than 5 percent of total recording sales in the early 1960's, it has been reported that tapes in 1969 accounted for 25 percent of sales of all recorded music.[7] Total legiti-

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[6] House Report No. 92-487, 92nd Congress, 1st Session, p. 1567.
[7] *Los Angeles Times*, February 28, 1970.

mate tape sales for 1969 amounted to more than $300 million. Significantly, pirates are estimated to gross $100 million annually.[8] California has more than shared in this mushrooming problem. It has been stated that California probably has more pirates than any other state with estimates of as many as 20,000 in Los Angeles alone. The result has been a loss of business to the legitimate recording industry and a plethora of state court suits against the pirates in California.[9]

It has been said that the police power is simply the power of sovereignty or power to govern—the inherent reserved power of the state to subject individual rights to reasonable regulation for the general welfare. *Nebbia* v. *New York* (1934) 291 U.S. 502, 54 S.Ct. 505, 78 L.Ed. 940; *Berman* v. *Parker* (1954) 348 U.S. 26, 75 S.Ct. 98, 102, 99 L.Ed. 27. Private rights of property must yield to the police power. *Home Building and Loan Association* v. *Blaisdell* (1933) 290 U.S. 398, 54 S.Ct. 231, 78 L.Ed. 413.

This Court stated in *Ferguson* v. *Skrupa* (1962 372 U.S. 726, 730, 83 S.Ct. 1028, 10 L.Ed. 2d 93:

> "It is now settled that States 'have power to legislate against what are found to be injurious practices in their internal commercial and business affairs, so long as their laws do not run afoul of some specific federal constitutional prohibition, or of some valid federal law.' "

[8] *California Business*, March 2, 1970; *Los Angeles Times*, February 28, 1970.

[9] *Los Angeles Times*, February 28, 1970; *California Business*, March 3, 1970.

And in *Berman* v. *Parker, supra,* 348 U.S. 26, 32, 75 S.Ct. 98, 102, 99 L.Ed. 27, this Court stated:

> "We deal, in other words, with what traditionally has been known as the police power. An attempt to define its reach or trace its outer limits is fruitless, for each case must turn on its own facts. The definition is essentially the product of legislative determinations addressed to the purposes of government, purposes neither abstractly nor historically capable of complete definition. Subject to specific constitutional limitations, when the legislature has spoken, the public interest has been declared in terms well-nigh conclusive. In such cases the legislature, not the judiciary, is the main guardian of the public needs to be served by social legislation, whether it be Congress, legislating the District of Columbia (see *Block* v. *Hirsh,* 256 U.S. 135) or the States legislating concerning local affairs. See ____ *California State Association* v. *Maloney,* 341 U.S. 105."

The United States District Court for the Central District of California in *Tape Industries Association of America* v. *Younger,* (1970) 316 F.Supp. 340, 351 (appeal dismissed for want of jurisdiction, 401 U.S. 902) (appeal pend. U.S. Ct. App. 9th Cir., No. 26,-628) expressed the interest of California in enacting Penal Code section 653h:

> "When all of the facts of the case here are considered, we are driven to the conclusion that Calif. P.C. § 653h (1968) is a tolerable and permissible state regulation directed against theft and appropriation of a saleable product, and does not un-

constitutionally intrude on the Federal policies enunciated in the Copyright Clause, U.S. Const. art. I, § 8, Cl. 8, and in Federal Copyright legislation, 17 U.S.C., §§ 1–215. Plaintiffs in this action are known in the record industry as 'tape pirates' and rightly so, for to the best of our knowledge all other courts that have had occasion to consider the conduct of such 'tape pirates' have sanctioned state limitations upon their piratical activities. See, *Capitol Records, Inc.* v. *Erickson,* 2 Cal.App. 3d 526, 82 Cal.Rptr. 798 (1969), cert.den. 398 U.S. 960, 90 S.Ct. 2176, 26 L.Ed.2d 545, June 15, 1970."

The magnitude of the activities of these "pirates" has been well documented in the public press [10] and in the Congressional Reports on the Sound Recording Act.[11] The interest of California in prohibiting the activities of tape pirates is clear. California Penal Code section 653h deals directly with this business of larceny and misappropriation of the property of another rather than with the artistic work represented by the sound recording and is a valid statute.

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[10] See, e.g. Drummond, "Admitted Music Pirate Tells How Bootleg Market Started," *Los Angeles Times,* July 20, 1971, Part II, at 1; "Marketing: Revolutionary War," *Time,* June 28, 1971, at 72; "The $100-Million Market in Bootleg Tapes," *Business Week,* May 15, 1971, at 132–36; Rosenblatt, "Tape Pirates: Industry Fights Bootleg Music, *Los Angeles Times,* February 28, 1970, at 1; Weber, "Piracy on the High C's," *California Business,* March 2, 1970, at 3; *News Week,* October 5, 1970, at p. 70.

[11] House Report No. 92-487 and Senate Report No. 92-72, 92d Congress, 1st Sess.

B. Federal Law Has Not Preempted the Field So as to Preclude State Legislation

Petitioner argues that "Congress has specifically, and repeatedly, refused to grant copyright protection to sound recordings fixed or published prior to February 15, 1972" (Brief of Petitioners, p. 10) and deduces from this a deliberate congressional intent to deny to the states the power to afford such protection. The accuracy of the statement that the Copyright Act was not intended to cover sound recordings, prior to the Sound Recording Act, and that this was a deliberate omission on the part of Congress is not challenged. It does not follow, however, that this failure of Congress to include sound recordings within the Copyright Act constituted a deliberate removal by Congress of the states' power to provide such protection.

Available evidence indicates that during the deliberations by Congress on this subject, testimony of representatives of the recording industry informed Congress that the states could provide adequate protection against pirates through common law remedies or, inferably, state legislation. This evidence has been gathered and summarized in Ringer, *The Unauthorized Duplication of Sound Recordings,*[12] where we find the following:

> "Hearings on the Perkins bill were held in January and February 1925. No one spoke directly either in favor of or in opposition to the provisions

[12] Studies on Copyright, Arthur Fisher Memorial Edition, (Rothman & Co., 1963), Study No. 26.

governing copyright in recordings, and the provisions were hardly mentioned throughout the testimony. In fact, J. G. Paine of the Victor Talking Machine Co. stated that the record manufacturers had not asked for statutory protection, and were not sure they wanted it. He asserted that the bill merely protected against dubbing, and that the manufacturers already had protection against dubbing under the common law theory of unfair competition." At p. 22, citing *Hearings Before the House Committee on Patents on H.R. 11258, 68th Cong., 2nd Sess.,* 303 (1925).

"Hearings on H.R. 10434 were held in April 1926. Again there was hardly any discussion of the provision making sound recordings copyrightable, and the representative of the Aeolian Co. almost seemed unaware that the bill contained such a provision. On the subject of dubbing he had this to say:

'I will tell you this—I am not telling that for public consumption, but there are serious difficulties. I have given a great deal of thought as to how we could stop a man who dubbed our rolls. Fortunately, we have not been bothered very particularly about that. The Victor Co. have; but they get them under certain theories of unfair competition.' " At pp. 22–23, citing *Hearings Before the House Committee on Patents on H.R. 10431, 69th Cong., 1st Sess.,* 319 (1926).

"Representative Vestal introduced his bill again in the 70th Congress, but no further action was taken on it. During the hearings held in 1928, 1929, and 1930 on bills dealing with the compulsory licensing provisions, the author-publisher represent-

atives advanced and developed a line of argument they had used before. They pointed out that the record manufacturers were effectively protected against dubbing by the common law, and for this reason their contracts with the performers were truly exclusive—no one but Victor could issue a Caruso recording, for example." At p. 23, citing *Hearings Before the House Committee on Patents on H.R. 9639, 71st Cong., 2nd Sess.,* 10–11, 27, 29 (1930).

"These provisions of both the Daly and Sirovich bills attracted a good deal of attention, and were the subject of much comment during the extended hearings held in February, March, and April, 1936. . . .

". . . It appeared to be assumed generally that ordinary dubbing of sound recordings could be effectively prevented at common law on the theory of unfair competition, but, in addition to controlling broadcasting and public performance, the performers were concerned with preventing unusual types of dubbing—particularly the practice of re-recording commercial records for broadcasting purposes." At p. 29, citing *Hearings Before the House Committee on Patents on Revision of Copyright Laws, 74th Cong., 2nd Sess.,* 113, 639, 653, 1181 (1936).

See also: Diamond, *Copyright Problems of the Phonograph Record Industry,* 15 Vanderbilt Law Review 419, 429 (1962); Halpern, *The Sound Recording Act of 1971: An End to Piracy on the High C's, supra,* 40 George Washington Law Review at p. 976.

It is submitted, then, that Congress was in no hurry to include sound recordings within the protection of

the Copyright Act for the reason, *inter alia,* that it had been reliably informed that this problem could be reached through state action. In the light of this history, section 3 of the Sound Recording Act assumes great significance. This section provides:

> "[N]othing in title 17, United States Code, as amended by section 1 of this Act, shall be applied retroactively or be construed as affecting in any way any right with respect to sound recordings fixed before the effective date of this Act."

This section embodies the intent of Congress that the state protection previously afforded against pirates not be disturbed by the Sound Recording Act.

This question was recently presented to the United States Court of Appeal, 10th Circuit, in *Tape Head Company* v. *R C A Corporation,* 452 F.2d 816, 819 (1971) wherein the plaintiff was threatened with court action arising under state law to prevent them from engaging in an act of piracy. In concluding that a preliminary injunction to prohibit proceedings against plaintiffs under state law was improper, the court stated:

> "The basic premise of plaintiffs is that Congress, in making the mentioned act pertaining to recordings effective February 15, 1972, thereby manifested an intention to grant persons in the position of the plaintiffs a *carte blanche* right to copy these records free of any restrictions existing under various state laws, common or statutory. The enactment served to make the copyright effective February 15, 1972, and a side effect or implied consequence that Congress thereby pre-

empted this field prior to February 15, 1972, does not follow. In fact, the act itself provides that its terms should not be applied retroactively or 'be construed as effecting in any way any rights with respect to sound recordings fixed before the effective date of this act.' Thus, it cannot be said that any actions commenced by defendants prior to that date are void and abortive. It is highly questionable from the authorities presented that plaintiffs have, as a result of the act of Congress, acquired a right to convert and use these recordings with impunity prior to February 15, 1972 [footnote omitted]." See also: *Capitol Records Inc.* v. *Mercury Records Corporation,* 221 F.2d 657 (2nd Cir. 1955).

It is submitted that the language of the act itself evinces the Congressional belief that there were valid state rights in sound recordings prior to the Sound Recording Act and that the Act expressly declares that these rights shall not in any way be affected by it.

Petitioner contends that this court's opinions in *Sears, Roebuck and Company* v. *Stiffel Co., supra,* 376 U.S. 225, and *Compco Corporation* v. *Day-Brite Lighting, Inc., supra,* 376 U.S. 234 state a doctrine of federal preemption necessarily invalidating state control of pirates by any means including legislation. It is submitted that the *Sears* and *Compco* cases are inapplicable here because sound recordings were never intended to be covered by the copyright laws prior to enactment of the Sound Recording Act. By contrast, the "pole lamp" in the *Sears* case and the light-

ing fixture in the *Compco* case were within the subject matter covered by the patent laws but because of technical requirements these items failed to qualify for patent protection.

In the *Sears* case the state's unfair competition law was invoked to prevent Sears from making a substantially exact copy of a pole lamp that resulted in confusion to the public. The respondent Stiffel had been granted patents on this lamp but the United States District Court held the patents invalid for want of invention.

In the *Compco* case respondent Day-Brite, a competitor of Compco, had secured a design patent on the light fixture in question but had been denied a mechanical patent. The United States District Court held the design patent invalid.

As this Court pointed out in those cases, the state laws there were clearly in conflict with the Federal Patent Law and stated the rule:

> "When state law touches upon the area of these federal statutes, it is 'familiar doctrine' that the federal policy 'may not be set at naught, or its benefits denied' by the state law." (376 U.S. at 229.)

The principle and logic of these cases are not put to the test here. As indicated hereinabove, sound recordings were not covered by the federal copyright laws and so we are not concerned with the situation where "state law touches upon the area of these federal statutes."

This same conclusion was reached by the United States Court of Appeal in *Tape Head Company* v. *R C A Corporation, supra,* 452 F.2d 816 where, in fn. 1 at p. 819, the court observes:

> "We have examined the decisions of the Supreme Court in *Sears, Roebuck & Company* v. *Stiffel,* 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed. 661 (1964), and *Compco Corporation* v. *Day-Brite Lighting, Inc.,* 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed. 2d 669 (1964), involving in the one instance a pole lamp and in the other a lighting fixture. These are not applicable for two reasons: The articles differ from ideas or compositions, and the Supreme Court has not held that persons who appropriate material such as is here involved are forever immune from *suit.*"

It is submitted that the *Sears* and *Compco* cases should not be applied so as to invalidate state laws in this area.

This Court's opinion in *International News Service* v. *The Associated Press,* 248 U.S. 215, 63 L.Ed. 211, 39 S.Ct. 68 (1918) recognized the existence of a right of legal action outside the Copyright Act and so is support for the validity of California Penal Code section 653h. In that case this Court held that a news service which had "misappropriated" the uncopyrighted news dispatches of a competitor and used them as its own was guilty of unfair competition. It reasoned that Associated Press had a qualified right in its stories and could therefore obtain an injunction against the misappropriation of those stories

at least for as long as the news dispatches had commercial value. During the course of its opinion this Court made the following observations that seem applicable here:

> ". . . We are dealing here not with restrictions upon publication but with the very facilities and processes of publication . . . . [T]he news of current events may be regarded as common property. What we are concerned with is the business of making it known to the world, in which both parties to the present suit are engaged. . . . The parties are competitors in this field; and, on fundamental principles, applicable here as elsewhere, when the rights or privileges of the one are liable to conflict with those of the other, each party is under a duty so to conduct its own business as not unnecessarily or unfairly to injure that of the other. *Hitchman Coal & Coke Co.*, v. *Mitchell*, 245 U.S. 229, 254." (248 U.S. at p. 225.)

The aptness of the *International News Service* rationale to the instant case is demonstrated further by the discussion of the nature of the business there involved:

> "Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering

the news. The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as unfair competition in business." (248 U.S. at p. 240.)

Following the decision of this Court in the *Sears* and *Compco* cases, numerous courts, federal and state, have recognized the distinction between the "copying" or imitation involved in those cases and the misappropriation condemned in *International News Service*. For the most part, these courts have concluded that *Sears* and *Compco* have not legalized record piracy: *Dutchess Music Corporation* v. *Stern*, 458 F.2d 1305, 1311 (9th Cir. 1972); *Tape Head Company, Inc.* v. *R C A Corporation*, 452 F.2d 816, 819, note 1 (10th Cir. 1971); *Tape Industries Association of America* v. *Younger*, 316 F.Supp. 340 (C.D. Cal. 1970) (appeal dism'd., 401 U.S. 902) (1971); *Columbia Broadcasting System, Inc.* v. *Custom Recording Co., Inc.*, ---- S.E.2d ---- (S.C. S.Ct. 1972, Opn. 19430 f. May 29, 1972); *Columbia Broadcasting System, Inc.* v. *Custom Recording Company, Inc.*, 189 S.E.2d 305 (S.C. S.Ct. 1972); *Liberty/UA, Inc.* v. *Eastern Tape Corporation*, 180 S.E.2d 414, 417 (appeal dism'd 181 S.E.2d 600) (1971); *Capitol Records, Inc.* v. *Erickson*, 2 Cal.App.3d 527, 82 Cal.Rptr. 798 (1970); *Capitol Records, Inc.* v. *Spies*, 264 N.E.2d 874,877 (Ill. Appeal 1970); *Columbia Broadcasting System, Inc.* v. *Documentaries Unlimited, Inc.*, 42 Misc.2d 723, 726-727, 248 N.Y. Supp.2d 809, 812-813 (1964); *Capitol*

Records, Inc. v. *Greatest Records, Inc.*, 43 Misc.2d 878, 525 N.Y. Supp. 2d 553, 555–557 (1964).[13]

[13] *International Tape Mfgs. Assoc.* v. *Gerstein* ____F.Supp.____, U.S.D. Ct. S.D. Fla. (1972) (Opn. No. 72-164-DIV-JE, f. 6-12-72) appears to be the case most clearly contrary to the above cited cases and, following an analysis reached a contrary conclusion. See also *Columbia Broadcasting System, Inc.* v. *DeCosta*, 377 F.2d 315, 318 (1st Cir. 1967).

CONCLUSION

It is respectfully submitted that the judgment of the Court below, affirming petitioners' convictions and upholding California Penal Code section 653h is correct and should be affirmed.

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